

REPORT BY THE
AUDITOR GENERAL
OF CALIFORNIA

**SCHOOL DISTRICTS NEED TO
IMPROVE THEIR ADMINISTRATION
OF CONSULTANT CONTRACTS**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

060

SCHOOL DISTRICTS NEED TO IMPROVE
THEIR ADMINISTRATION
OF CONSULTANT CONTRACTS

JANUARY 1982



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January 12, 1982

060

The Honorable President pro Tempore of the Senate
The Honorable Speaker of the Assembly
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the
Auditor General's report concerning school districts'
administration of consultant contracts.

Respectfully submitted,

WALTER M. INGALLS
Chairman, Joint Legislative
Audit Committee

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SUMMARY

The 1,044 school districts in California's kindergarten through grade twelve public school system spend more than \$38 million annually for consultant services. Each of these districts has the authority to contract for consultant services, and each has the responsibility for administering these contracts. Districts contract for a wide range of consultant services, including administrative services, staff development activities, and musical, cultural, or scientific presentations.

We found that school districts generally need to improve their administration of consultant contracts. Although recent legislation, Chapter 1176, Statutes of 1981, strengthens the requirements for administering school districts' consultant contracts, we found at the time of our review that school districts were not following sound contracting procedures. In part, this was due to the lack of statewide requirements and guidelines for administering consultant contracts.

Specifically, we found that school districts need to improve their administration of consultant contracts in four major areas. First, we found that prior to hiring an outside

consultant, school districts are not determining if their own employees can provide a needed service. Because of this oversight, districts may unnecessarily hire a consultant for services that their own employees can perform. We also found that school districts are relying heavily on noncompetitively bid consultant contracts without adequately justifying their use. This practice may prevent districts from obtaining consultant services at a competitive price and may allow program directors or vendors or both to abuse the contracting system.

Moreover, we determined that school districts are not conducting adequate cost analyses of the fees being charged by consultants. As a result, schools may be paying unnecessarily high fees for consultants' services. Finally, we determined that school district governing boards are not adequately reviewing and approving consultant contracts before the services are performed. As a result, school districts may be contracting for unnecessary services.

Chapter 1176, Statutes of 1981, addresses the need for school districts to determine prior to hiring a consultant whether their own employees can provide a service. The legislation also requires school district governing boards to approve consultant contracts before the services are performed.

However, there are currently no requirements addressing the problem of school districts' heavy reliance on noncompetitively bid contracts for consultant services nor the need for cost analyses of the fees charged by consultants.

INTRODUCTION

In response to a request by the Joint Legislative Audit Committee, we have reviewed school districts' policies, procedures, and practices for administering contracts for consultant services. This review was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

Background

California's 1,044 autonomous school districts in its kindergarten through grade twelve public school system spent at least \$38 million on consultant contracts for personal services in fiscal year 1979-80. Under the provisions of Government Code Section 53060, each of these school districts has the authority to contract for special services and advice in financial, economic, accounting, engineering, legal, or administrative matters. School districts routinely contract for a variety of consultant services, including staff development activities and musical, cultural, or scientific presentations.

Previous Auditor General reports identified contracting problems in various state agencies.* Subsequent to these reports, the Legislature directed the Department of General Services, the Department of Finance, and the State Personnel Board to create a task force to recommend ways of improving the State's present system for supervising the administration of contracts. Part of the charge of this task force is to develop procedures to assure that agencies evaluate the need for contracts, determine whether contract costs are reasonable, and bid consultant contracts competitively.

Scope of Review

We reviewed the administration of contracts for consultant services in seven school districts to determine if the districts are following sound contracting procedures. As part of this review, we analyzed the processes by which school districts identify the need for consultant services, select consultants, award contracts, monitor contracts, and evaluate consultants' performance. The districts we reviewed are of

* In order of issuance, these reports include Improvements Needed in the Administration of State Contracts for Consultant Services, Report P-016.2, April 1981; A Review of the State Department of Education's System for Managing Consultant Contracts, Report P-066, October 1981; and Improvements Needed in the Department of Social Services' Administration of Personal Services Contracts, Report P-028, October 1981.

various enrollment sizes and are geographically distributed throughout the State. Appendix A provides an alphabetical listing of the seven school districts we visited.

To evaluate whether consultant contracts are effectively managed, we analyzed 188 consultant contracts at the school districts we visited. This judgmental sample included a minimum of 24 contracts of varying dollar amounts from each district. The sample also included contracts awarded to vendors who received a large number of consultant contracts from a single school district or vendors who received contracts for significant dollar amounts within a district. We also gathered information on the number of consultant contracts in our sample that were established with school district employees. This information is presented in Appendix B.

We restricted our review of contracts to those that were for consultant services as defined by the California School Accounting Manual. These contracts typically include a broad range of services for a variety of administrative and program needs.

Finally, we reviewed applicable statutes and guidelines and interviewed officials within both the State Department of Education and selected county offices of education.

Recent Legislation

At the time of our review, there were few statewide requirements or guidelines in effect regarding districts' administration of consultant contracts. The Legislature has not required the State Department of Education to develop statewide guidelines for administering consultant contracts. Thus, school districts had been virtually unrestricted by the State in administering the contracts that were included in our review.

However, in July 1981, the Legislature acted to strengthen school districts' controls over the administration of consultant contracts. By adopting supplemental language to the fiscal year 1981-82 State Budget Act, the Legislature required school districts to examine their own abilities to perform a needed service before contracting with outside parties. The language further stipulated that school districts must determine whether the county office of education, adjoining school districts, or adjoining county offices of

education could supply needed services prior to executing consultant contracts. Subsequently, the Legislature adopted Chapter 1176, Statutes of 1981, which codified these requirements.*

Chapter 1176, Statutes of 1981, requires school districts to determine if services are available within their districts and requires them to obtain the approval of their governing boards before contracts are executed. However, the new legislation does not address the problem of school districts' heavy reliance on noncompetitively bid contracts nor does it require school districts to analyze the cost of consultant contracts.

* Appendix C provides the partial text of Chapter 1176, Statutes of 1981, relating to school district consulting contracts.

AUDIT RESULTS

SCHOOL DISTRICTS NEED TO IMPROVE THEIR ADMINISTRATION OF CONSULTANT CONTRACTS

We found that school districts generally are not administering their consultant contracts according to sound contracting procedures. In part, this is caused by the lack of statewide requirements or guidelines for the administration of consultant contracts.

We determined that school districts' administration of consultant contracts is deficient in four major areas. First, school districts are contracting for consultant services without determining if the services are already available within their districts. This can result in school districts' incurring unnecessary expenditures when consultants are hired to perform services that can be provided by current district employees. Second, we found that school districts are relying heavily on noncompetitively bid consultant contracts without adequately justifying their use. This may result in districts' not obtaining required services at a competitive price. This practice also provides an opportunity for potential abuse of the contracting system by program directors and by vendors. We also found that school districts are not conducting adequate

cost analyses of the fees charged by consultants. This too can result in districts' paying unnecessarily high fees for consultant services. Finally, we determined that school district governing boards are not adequately reviewing and approving consultant contracts before these contracts are executed. As a result, school districts may be contracting for unnecessary services.

School Districts Are
Contracting for Consultant Services
Without Determining if the Services Are
Already Available Within Their Districts

School districts are not determining whether required services are available within their districts before they contract for services from outside consultants. None of the seven school districts we visited was routinely determining if its own employees could perform a needed service before it sought to hire an outside consultant. At the time of our review, the State did not require that school districts make such a determination. However, we found that 36 of the 188 consultant contracts did have written justification for hiring an outside consultant. In our review, we discovered instances in which districts hired consultants to perform services that could have been provided by district employees.

In fiscal year 1980-81, the State did not require school districts to determine whether needed services were available within their districts before they hired an outside consultant. However, such a determination could help assure efficient use of resources. Chapter 1176, enacted in 1981, requires that, prior to executing a consultant contract, a school district must determine if the needed services can be provided by its own employees, by the employees of the county office of education, or by the employees of adjoining school districts.

If a school district does not determine whether its own employees can provide a needed service before it hires a consultant, it may incur unnecessary expenditures. For example, one school district paid an outside consultant \$5,000 to coordinate the district's categorically funded programs at one school, even though existing program support staff in the district performed similar duties for other schools in the district. Because the initiator of the contract did not adequately justify the need for an outside consultant, the district unnecessarily hired a consultant to perform services that could have been provided by current employees.

Similarly, another district hired a consultant to give music lessons at an elementary school without first determining if a present employee could perform the same service. The initiator of the contract indicated that current district employees taught music lessons in other schools in the district. Nevertheless, the contract was approved, and the district may have hired an outside consultant unnecessarily because it had not adequately determined if the services could have been performed by a district employee.

Although most contract files did not indicate the justification for obtaining services from outside consultants, 36 of 188 files did contain such justifications. Among those that did contain justifications, we found instances in which districts did in fact determine whether their own employees could provide a service prior to contracting with a consultant. In one case, a district in our review had established a federally funded nutrition education project. The program director determined that the district did not have the required nutritionist on its staff, so he contracted with a nutritionist to provide consultation for the district's program. In other districts, we found instances in which administrators conducted at least a limited review to see if the district already

employed people who could provide various special services, such as audiology tests, musical performances, or computer analysis work prior to hiring consultants to provide these services.

School Districts Are Relying Heavily
on Noncompetitively Bid Contracts
Without Adequately Justifying Their Use

School districts are relying heavily on noncompetitively bid contracts without adequately justifying why they are not competitively bid. Except for contracts for various special services, which are currently exempt from competitive bid requirements, school districts must competitively bid all consultant contracts for more than \$8,000. However, in our sample we found that 21 of the 24 consultant contracts with expenditures greater than \$8,000 (88 percent) were not competitively bid. Consequently, school districts may not be receiving consultant services at a competitive price. Additionally, we found that in 145 of the 188 contracts we reviewed (77 percent), only one vendor was approached to provide the needed services. This increases the potential for program directors, vendors, or both to abuse the contracting system.

Government Code Section 53060 exempts from competitive bidding school district contracts for special services or advice in financial, economic, accounting, engineering, legal, or administrative matters. In these instances, school districts are allowed to pay consultants whatever fees the districts deem appropriate. However, school districts are required to seek competitive bids for all contracts that do not involve special services. Further, Education Code Section 39640 requires competitive bidding for all school district contracts, except those mentioned above, when the work to be done involves an expenditure of more than \$8,000.

School districts are not required to adhere to the State Administrative Manual (SAM). Nevertheless, the SAM provides a useful example of what can be done to control costs of contracts that are not competitively bid. Section 1204 of the SAM requires that state agencies obtain at least three qualifying proposals on all potential contracts for personal services. In instances where three qualifying proposals cannot be obtained, the SAM states that a full explanation must accompany the contract. This explanation should include the names and addresses of the firms or individuals that were requested to submit proposals and the reasons why they did not do so.

Among the contracts we reviewed, we found that 21 of the 24 contracts involving expenditures greater than \$8,000 (88 percent) were not competitively bid. Since districts did not seek competitive bids for these consultant contracts, there is no assurance that the districts received the benefits of price competition for these consultant services. For example, one district contracted for services from the owner of an ocean vessel to provide marine science lessons for elementary school students. This was a \$30,000 sole source contract that was not competitively bid. Considering the size and nature of the contract, the district may have been able to obtain these services at a lower cost if it had competitively bid the contract.

Another district awarded a contract for more than \$14,000 to an educational research and development consulting firm without seeking competitive bids. Under the terms of the contract, the consulting firm provided technical assistance to the district in designing, installing, and implementing a computerized scoring and reporting system for high school proficiency tests. The district's rationale for using the contractor was that the contractor had performed satisfactorily under another contract with the district. Since the contract was not competitively bid, the district had no way of knowing whether it could have obtained these services at a lower cost. Consequently, the district may have foregone potential savings.

We also found that 145 of the 188 consultant contracts we reviewed (77 percent) involved instances in which only one vendor was approached to provide the needed services. Such heavy reliance on individual vendors for consultant services does not assure that the districts are receiving services at a competitive price.

In addition, when the services of only one vendor are solicited there is the potential for a program director or a vendor or both to abuse the contracting system. For example, one district hired an out-of-state consultant to "provide program management" services for a federally funded program. A program director in the district arranged for the retention of the consultant on four separate contracts without contacting other consultants to determine if they could perform the requested services. We determined that the consultant never performed any services for the district. Yet, the consultant received full payment, totalling \$4,000, on all four contracts.*

* The Auditor General has referred this case to the district's governing board for further review and investigation.

School Districts Are Not
Conducting Adequate Cost
Analyses of Consultant Fees

School districts generally are not conducting adequate cost analyses of the fees charged by consultants. Four of the seven school districts we visited were conducting limited cost analyses of consultant fees; the three remaining school districts were not routinely reviewing the reasonableness of consultants' charges. Although school districts are currently not required to provide justification for the fees charged by consultants, other governmental agencies are required to do so. Because they do not conduct cost analyses, school districts may be paying unnecessarily high fees for consultant services.

At present, school districts are not required to evaluate the reasonableness of the fees charged by consultants. Other governmental agencies have, however, established guidelines for evaluating consultant fees. For example, Federal Armed Services Regulations require federal contract managers to analyze the projected costs of contracts awarded without formal advertising. These regulations suggest several methods for reviewing the contract costs, including the following:

- Comparing the proposed contract cost with costs considered reasonable on similar contracts;

- Comparing the proposed contract cost with independent cost estimates; and,
- Reviewing each element within the proposed cost of a contract to assure that each is necessary and reasonable.

Four of the seven districts we visited had established some written procedures to limit the cost of consultant contracts. These districts had established various rate limitations on the fees that consultants could charge without special approval. However, we also found that districts did not always adhere to these limits. For example, one district had a rate structure for various categories of consultant services, and a consultant could not receive more than the prescribed rate unless a special request was approved by the district personnel office. The special request provided information explaining why the consultant should receive more than the prescribed rate. Although the district had established this policy, nearly half of its contracts that we analyzed exceeded the established rate limits and did not have the required approval of the district's personnel office.

The other three districts we reviewed had not established any method of reviewing the reasonableness of consultants' charges. Because school districts have failed to

establish formal procedures for determining the reasonableness of consultants' fees, they may not obtain consultant services at the lowest cost. For example, one district contracted with a consultant for \$1,700 to provide a one-day workshop on staff development. The district did not contact other consultants to determine what they would charge to provide such a workshop. If the district had contacted other consultants, it may have been able to obtain the services at a lower cost. In addition, competitive bidding for this particular contract may have given the district an opportunity to select a more qualified person. This is especially important given that the district was dissatisfied with the contractor's training program and ultimately reduced the amount paid to the consultant from \$1,700 to \$700.

School District Governing
Boards Have Not Adequately
Reviewed and Approved Consultant
Contracts Before They Are Executed

School district governing boards are not adequately reviewing and approving consultant contracts before the contracts are executed. Of the seven school districts we visited, in only two were district governing boards fully reviewing and approving consultant contracts before consultants began working. As a result, we found instances in which school districts may have contracted with consultants for unnecessary services.

At the time of our review, school district governing boards were not required to approve consultant contracts before work was begun. In contrast, we have found that state agencies are generally required to submit contracts to control agencies for approval. For example, Government Code Sections 14780 and 14784 require state agencies to seek prior approval of contracts by the Department of General Services before they are executed. Section 1206 of the State Administrative Manual stipulates that the Department of General Services should review all state contracts of \$10,000 or more before contractors begin work. In addition, the State Personnel Board reviews certain consultant contracts before they are initiated.

Chapter 1176, Statutes of 1981, which becomes effective January 1, 1982, will require prior approval by school district governing boards of all consultant contracts. Under the new law, a governing board must enter into the minutes of a board meeting proof that it has followed specified procedures for reviewing consultant contracts prior to the execution of such contracts.

Because districts have been allowed to establish their own procedures for reviewing and approving consultant contracts, we found that these procedures vary among the seven school districts we studied. Two district governing boards had established procedures for review and approval of consultant

contracts, and two district governing boards had established limited review procedures. The remaining three district governing boards lacked any defined procedures for examining consultant contracts before consultants began work.

Of the two districts that have established procedures for governing board review and approval of consultant contracts, one requires that all contracts for consultant services be submitted to the board before the consultant can be hired or begin work. The governing board also requires that the district furnish the following information regarding each consultant contract:

- The consultant's name;
- Duties to be performed;
- Consultant fees;
- Effective dates of the contract;
- The program under which the work is to be performed;
and
- The sponsor of the work in the district.

Using this information, the governing board decides whether to approve or deny the request for consultant services. In those occasional instances when work must be performed before the contract is approved by the governing board, the board requires written justification for why this occurred. The board will not ratify payment for the services unless it receives adequate justification.

Of the remaining five school districts we visited, two districts had established limited procedures for prior review and approval of consultant contracts by the governing board. The other three districts had not established any review procedures. Lack of procedures for governing board review and approval in these districts may have contributed to some districts' contracting for unnecessary consultant services. For example, in the case of the consultant hired to "provide program management" services previously referred to (page 13), the district retained the consultant without securing prior review or approval by the governing board. None of the four separate contracts with the consultant contained adequate justification for why the requested services were needed. However, the district spent \$4,000 on these contracts.

Similarly, another district that lacked procedures for governing board review and approval of consultant contracts used funds allocated for consultant services to purchase

lunches costing \$70.35 at a local country club. These lunches were purchased for a district advisory board, even though there was no requirement that the district provide lunches for the advisory board. Since the district's governing board did not review the contract prior to its execution, the governing board did not approve this expenditure until after it had been made.

Finally, another district we visited hired a consulting firm for \$15,000 to develop an affirmative action policy for the district. In this case, the governing board reviewed and approved the contract. The district subsequently contracted with the consultant for other work in developing the affirmative action plan and paid the consultant an additional \$1,590. However, district personnel did not seek the school board's review or approval. The awarding of the original contract was a controversial issue, and it was approved by only a 4 to 3 vote of the district's board. Because of this, it is reasonable to assume that the governing board may have questioned this additional expenditure if the board had been made aware of it before the services had been performed.

CONCLUSION

School districts need to improve their administration of consultant contracts. At the time of our review, school districts generally were not following sound

procedures in administering consultant contracts. In part, this was the result of the lack of statewide requirements or guidelines regarding the administration of school district consultant contracts.

We found that districts are contracting for consultant services without first determining if their employees could provide the needed services. This may result in districts' hiring consultants to perform services that their own employees could perform.

Furthermore, we found that districts are relying heavily on noncompetitively bid consultant contracts that may result in districts' not receiving services at a competitive price. It also provides an opportunity for participants to abuse the contracting system.

We also found that school districts are not conducting adequate cost analyses of the fees charged by consultants. This may result in districts' paying higher costs for consultant services.

Finally, we determined that school district governing boards are not adequately reviewing and approving consultant contracts before the consultants begin work. As a result, this may have contributed to school districts' contracting for unnecessary services.

RECOMMENDATION

Although the Legislature recently adopted statutory requirements to strengthen school districts' administration of consultant contracts, we recommend that, in addition, the Legislature consider requiring the State Department of Education to develop and disseminate statewide guidelines for administering consultant contracts. At a minimum, the guidelines developed by the department should include the following:

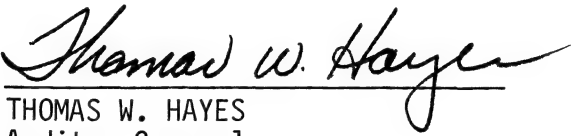
- Procedures for determining the availability of resources within a school district, the county office of education, and the adjoining school districts and county offices of education;

- Competitive bidding procedures for consultant contracts and procedures for justifying consultant contracts that are not competitively bid;
- Methods for conducting cost analyses of consultant fees;
- Procedures for reviewing and approving consultant contracts by governing boards before contracts are executed.

We also recommend that the Legislature require the governing boards of school districts to adopt written procedures for administering consultant contracts that are consistent with statewide requirements and guidelines.

Further, to assist school districts in assuring adequate competition for consultant contracts, we recommend that the Legislature require county offices of education to develop and maintain lists of qualified consultants who are available to provide special services and advice to school districts.

Respectfully submitted,


THOMAS W. HAYES
Auditor General

Date: December 18, 1981

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Ellen K. Fisher
Karen S. Rabinowitz



STATE OF CALIFORNIA
DEPARTMENT OF EDUCATION
STATE EDUCATION BUILDING, 721 CAPITOL MALL, SACRAMENTO 95814

December 15, 1981

Mr. Thomas W. Hayes
Auditor General
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Hayes:

Thank you for the opportunity to comment upon the draft copy of your report entitled "School Districts Need to Improve Their Administration of Consultant Contracts."

The Department of Education concurs with the desire to have similar procedures for each of the school districts in the state, but we recognize the need for consultant services varies tremendously among the districts. It was for this reason that we did not oppose legislative action which was reflected as Supplemental Language (for one year only) to the 1981 Budget Act. This language requested school districts to follow a particular procedure in their acquisition of professional and consultant services. We hoped that one year of experience with this procedure would provide the state with enough information to review whether or not a mandated procedure should be put in place. However, the Legislature chose to place the Supplemental Budget Language in statute which your report reflects as Chapter 1176, Statutes of 1981. A concern which the Department now has about the statute is not the process required of county superintendents and school districts but the fact that the process is a state mandate. It is our understanding that school districts will be filing a mandated cost claim after January 1 relative to this new statute.

The recommendations in your report can be implemented through guidelines and suggestions to county superintendents and local school districts, but any of your recommendations which the Legislature chooses to mandate upon the local districts should be recognized for possible cost implications.

The Department of Education will keep its commitment to work with the Legislative Budget Committees during the spring of 1982 to review this year's implementation of the current process. We will support the preparation of recommended procedures to school districts to address the areas noted in your report, but we will request that funds be appropriated by the Legislature for any new requirements placed upon local agencies.

Mr. Thomas Hayes

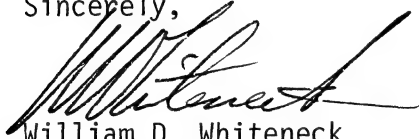
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December 15, 1981

The fundamental question still involves how much state mandate and state control of school district and county superintendents operations will be maintained in Sacramento through the legislative process and how much judgment and flexibility will be permitted local board of education.

If you have any questions, please call.

Sincerely,

A handwritten signature in dark ink, appearing to read 'W. Whiteneck', with a long horizontal flourish extending to the right.

William D. Whiteneck
Deputy Superintendent for Administration
(916) 445-8950

WDW:ds

ALPHABETICAL LISTING OF
SCHOOL DISTRICTS REVIEWED

We conducted an analysis of the policies, procedures, and practices for administering consultant contracts at the following school districts:

<u>School District</u>	<u>County</u>	<u>Current Estimated Enrollment</u>
Garden Grove Unified	Orange	39,100
Los Angeles Unified	Los Angeles	545,900
Marysville Joint Unified	Yuba	8,000
National Elementary	San Diego	5,000
Oakland Unified	Alameda	44,500
Parlier Unified	Fresno	1,600
Sacramento City Unified	Sacramento	40,700

USE OF SCHOOL DISTRICT
EMPLOYEES AS CONSULTANTS

During our review, we gathered information regarding the number of consultants who were school district employees, former school district employees, or employees of other school districts. Twenty-nine of the 188 consultant contracts we reviewed, or approximately 15 percent, were with school district employees in these categories. The following information provides a breakdown of these consultant contracts by employment category.

<u>School District</u>	<u>Number of Contracts Reviewed</u>	<u>Contracts with Current District Employees</u>	<u>Contracts with Former District Employees</u>	<u>Contracts with Employees of Other Districts</u>
Garden Grove Unified	25		2	
Los Angeles Unified	39		5	
Marysville Joint Unified	24		3	1
National Elementary	25			
Oakland Unified	25	2	7	
Parlier Unified	25	3	2	2
Sacramento City Unified	<u>25</u>	<u>—</u>	<u>2</u>	<u>—</u>
Totals	<u>188</u>	<u>5</u>	<u>21</u>	<u>3</u>

PARTIAL TEXT OF CHAPTER 1176,
STATUTES OF 1981, RELATING TO
SCHOOL DISTRICT CONSULTING CONTRACTS

Below is a partial text of Chapter 1176, Statutes of 1981, which requires school districts to follow specified procedures prior to executing consultant contracts:

The people of the State of California do enact as follows:

SECTION 1. Section 1241.5 is added to the Education Code to read:

1241.5. The superintendent of schools of each county, prior to entering into any contract for personal consulting services, except legal services or services for the fiscal audit of county office finances by a private auditing firm, shall do all of the following:

- (a) Examine the abilities of employees of the districts of the county to provide the services.
- (b) Examine the abilities of employees of the office of the county superintendent of schools in that particular county to provide the services.
- (c) Examine the abilities of employees of adjoining districts or county offices of education to provide the services.

(d) Enter into the minutes of a meeting of the board of education of the county a finding that the county superintendent has followed steps (a) through (c) above, and has determined that the services available from those sources will not meet the needs of the county. The reference in the minutes shall occur prior to the execution of a personal consulting services contract.

SECTION 2. Section 35200.5 is added to the Education Code, to read:

35200.5. The governing board of any school district, prior to entering into any contract for personal consulting services, except legal services or services for the fiscal audit of the school district finances by a private auditing firm, shall do all of the following:

(a) Examine the abilities of employees of the district to provide the services.

(b) Examine the abilities of employees of the office of the county superintendent of schools in that particular county to provide the services.

(c) Examine the abilities of employees of districts or county offices of education adjoining the particular district to provide the services.

(d) Enter into the minutes of a meeting of the governing board of the district a finding that the district has followed steps (a) through (c) above, and has determined that the services available from those sources will not meet the needs of the district. The reference in the minutes shall occur prior to the execution of personal consulting services contract.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps